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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

Federal Communications Commission
Office of Secretary

In the Matter of

96-262

Questions Related to Assessment) CCB/CPD No. 98-34
of Presubscribed Interexchange)
Carrier Charges on Public)
Pay Phones)

COMMENTS OF GTE

Dated: May 26, 1998

GTE Service Corporation and its affiliated
domestic telephone operating and long
distance companies

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COMMENTS OF GTE

GTE Service Corporation and its affiliated domestic telephone operating¹ and long distance² companies (collectively, "GTE") respectfully submit Comments with respect to the Public Notice (DA 98-845) ("the Notice") released on May 4, 1998. The Commission seeks comment on letters to the Common Carrier Bureau by firms that provide or market operator services concerning assessment of the presubscribed interexchange carrier charge ("PICC") to public payphones. In addition, the Commission seeks comment on five specific questions.

BACKGROUND

In response to several letters from interested parties, the Commission issued a

¹ These companies include: GTE Alaska, Incorporated; GTE Arkansas Incorporated; GTE California Incorporated; GTE Florida Incorporated; GTE Hawaiian Telephone Company Incorporated; The Micronesian Telecommunications Corporation; GTE Midwest Incorporated; GTE North Incorporated; GTE Northwest Incorporated; GTE South Incorporated; GTE Southwest Incorporated; Contel of Minnesota, Inc.; and Contel of the South, Inc.

² GTE Communications Corporation, Long Distance Division.

Public Notice seeking comment on various aspects of the presubscribed interexchange carrier charge and its relationship to public payphones. These letters highlight the different PICC treatment for private and LEC payphones and asks for FCC intervention to assure non-discriminatory treatment.

Teleconcepts Inc. ("Teleconcepts")³ claims that its operator services provider ("OSP") (AMNEX) is charging Teleconcepts a PICC charge that is supposedly being charged to AMNEX by the LEC. Teleconcepts also asserts that across the industry, the 1+ interexchange carrier is being assessed the presubscribed interexchange carrier charge for (smart) private payphones, while the 0+ interexchange carrier is assessed the PICC on LEC (dumb) payphones. Teleconcepts asks the Commission to clarify that the PICC should be assessed on the 1+ presubscribed interexchange carrier ("PIC").

National Operator Services, Inc. ("NOS")⁴ objects that the LECs are assessing the PICC on the primary operator services IXC for LEC payphones. NOS argues that public payphones are different from ordinary residence and business lines and do not fit within the economic models used to justify the PICC. NOS also believes that the current access charge system is neither economically efficient, fair, nor compatible with competition, and asserts that the current interstate access charge system should not be applied to 0+ service providers.

³ Letter from John H. Goida, President, Teleconcepts Inc., to Richard Metzger, Jr., Chief, Common Carrier Bureau, Federal Communications Commission, April 17, 1998.

⁴ Letter from Larry Kay, National Operator Services, to A. Richard Metzger, Jr., Chief, Common Carrier Bureau, Federal Communications Commission, April 22, 1998.

ONCOR Operator Communications, Inc. ("ONCOR")⁵ claims that LECs are incorrectly assessing a multi-line business PICC on all public payphones. Based on its review of the Commission's Part 69 rules and the Access Reform Order in CC Docket 96-262, ONCOR advocates that a single line business PICC should be assessed on payphones that are placed in isolated locations.

Boston Telecommunications Company ("BTC")⁶ objects to the assessment of the PICC on operator services with no obligation on the part of providers of 1+ long distance service from payphones.

DISCUSSION

In accordance with the directions provided in the Public Notice, GTE will address the issues raised in the four letters sent to the Common Carrier Bureau followed by answers to each of the five questions posed by the Commission.

I. The issues raised in the letters by the parties point clearly to a misunderstanding of the nature of the PICC as well as LEC recovery of local loop costs.

A review of the letters sent to the Common Carrier Bureau reveals that there are three issues to be considered.

1. whether the PICC should be assessed on the 0+ or the 1+ interexchange carrier.
2. whether the nature of the PICC and its relationship to local loop cost recovery should differ for LEC payphones.

⁵ Letter from Stephen H. Loberbaum, General Counsel, ONCOR Operator Communications, Inc., to A. Richard Metzger, Chief, Competitive Pricing Division, Common Carrier Bureau, Federal Communications Commission, April 22, 1998.

⁶ Letter from William M. Waldron, Boston Telecommunications Company, to Jane Jackson, Chief, Competitive Pricing Division, Common Carrier Bureau, Federal Communications Commission, April 22, 1998.

3. whether a single line business PICC or a multi-line business PICC should be assessed on lines that terminate to a LEC payphone.

As discussed more fully below, GTE submits that the presubscribed carrier for all payphones is properly assessed the PICC. Further, GTE recommends that the PICC be assessed on the 0+ presubscribed interexchange carrier on all standard coin lines (those with "dumb" payphones attached) and on the presubscribed interexchange carrier on all public access lines (PALs) (those with "smart" payphones attached).

The FCC has recognized that the cost of the common line connecting payphones is recovered just as is any other common line. Initially, those costs were recovered through the SLC and the CCL charges.⁷ In accordance with the Access Reform Order⁸ and with the filing of access tariffs effective January 1, 1998, price cap LECs have begun a transition from the economically inefficient carrier common line charge to the more cost-causative flat rate PICC for the recovery of common line costs. This transition, however, is consistent with the principle that a common line that happens to terminate to a payphone is still a common line and its costs should be recovered in a consistent manner. The PICC is intended to recover local loop costs

⁷ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, (the "Payphone Order"), CC Docket No. 96-128, released, Sept. 20, 1996 at ¶180. "In the telephone network, payphones, as well as all other telephones, are connected to the local switch by means of a subscriber line. The costs of the subscriber line that are allocated to the interstate jurisdiction are recovered through two separate charges: a flat-rate SLC assessed upon the end-user customer who subscribes to local service; and a per-minute CCL charge assessed upon IXCs that recovers the balance of the interstate subscriber line costs not recovered through the SLC.

⁸ *First Report and Order*, CC Docket No. 96-262, FCC 97-401, released, May 16, 1997.

allocated to the interstate jurisdiction. It is not based on the type of instrument at the end of the loop or on the type of traffic carried on the loop. Therefore, price cap LECs are required to assess PICCs on all common lines, including common lines terminating to payphones.

Regarding the question of whether to assess a single line business or a multi-line business PICC, the Payphone Order was quite clear:

Finally, we conclude that, to avoid discrimination among payphone providers, the multi-line business SLC must apply to subscriber lines that terminate at both LEC and competitive payphones.⁹

Even though the Payphone Order preceded the implementation of the PICC, the Commission, in the Access Reform Order, established the principle that the PICC should follow the SLC. There can be no doubt that price cap LECs are directed to assess multi-line business PICCs on common lines that terminate to a payphone.

II. GTE responds to the Commission's questions.

2. **Does the Commission's existing rule governing collection of the PICC, 47 C.F.R. § 69.153, permit price cap LECs to impose PICC charges for LEC public payphone lines and, if not, whether the rule should be amended to provide explicitly for assessment of PICCs on public payphone lines?**

Section 69.153(a) states:

A charge expressed in dollars and cents per line may be assessed upon the subscriber's presubscribed interexchange carrier to recover common line revenues permitted under the price cap rules in Part 61 of this chapter that cannot be recovered through the end user common line charge established under § 69.152, residual interconnection charge revenues, and certain marketing expenses described in § 69.153(a).¹⁰

⁹ Payphone Order at ¶ 187.

¹⁰ 47 C.F.R. §69.153(a).

As indicated above, the confusion stems not from the rules, but rather from not recognizing that PICCs are applied to common lines and not to payphone instruments or services. GTE believes that the rules are clear that LECs are required to assess PICCs on the presubscribed interexchange carriers on payphones, whether they are LEC-owned or privately owned.¹¹ The rule does not specify, however, whether the charge should be assessed on the 1+ or the 0+ presubscribed carrier.

3. **Assuming that price cap LECs are permitted to assess PICC charges on public payphone lines, should the PICC be: (a) charged to the presubscribed 1+ carrier; (b) charged to the presubscribed 0+ carrier; (c) imputed to the LEC's payphone unit as an end user; (d) split evenly between the 1+ and 0+ PIC; (e) prorated among all IXCs that carry calls originating from a particular payphone each month? Commenters may also propose other alternative methods for allocating the public payphone PICC.**

As an initial matter, as GTE demonstrates in response to Question (2), price cap LECs are fully entitled to assess PICC charges on payphone lines. The FCC should clarify through this record which presubscribed carrier, the 1+ or the 0+ presubscribed carrier should be assessed. As stated below, GTE believes that for "dumb" payphones, the FCC should require that the 0+ presubscribed carrier to be charged.

Because the PICC is to be assessed on a presubscribed carrier (except in the case when there is no presubscribed carrier chosen), there is absolutely no basis to assess or impute the PICC to the LEC as suggested in option (c) (imputing to the LEC's payphone unit as an end user). It would be inconsistent with the Access Reform Order to make this exception and assign these costs to the LEC (in this case the end user)

¹¹ In the interest of emerging competition and the entrance of new players, the Commission may want to clarify that the rule to specifically include payphones.

just because there may be two presubscribed carriers, the 0+ and the 1+ presubscribed carrier.

The FCC should recognize that the common line used with most LEC payphones have unique characteristics which allow more than one presubscribed carrier, the 0+ and the 1+ presubscribed carrier. LEC payphones,¹² sometimes referred to as "dumb" payphones, use standard coin lines which have special characteristics such as coin control functionality in the central office which allows for "sent paid" calls. These payphones are capable of supporting different 1+ and 0+ presubscribed interexchange carriers. Other payphones, sometimes referred to as "smart" payphones, use public access lines (PALs), which are regular common lines, and are capable of supporting only one presubscribed interexchange carrier.

GTE estimates that a very small percentage of the LEC payphone traffic is "sent paid" to an interexchange carrier.¹³ With this kind of imbalance it does not make sense to prorate the PICC based on percentage of calls carried by various IXCs from each payphone in a LECs serving area (option e). The cost to administer this type of arrangement would far exceed the less than the minimal amount of revenue available.

For similar reasons, option (d) (split evenly between 1+ and 0+ PIC) does not seem appropriate. GTE estimates that the split between 0+ and "sent paid" traffic

¹² Although commonly referred to as LEC payphones, lines used to connect "dumb" payphones are available to non-LECs as well, but are not normally ordered by non-LECs.

¹³ "Sent paid" traffic is paid by the customer in advance by inserting the appropriate coins into the phone. It should be pointed out that virtually all "sent paid" interLATA payphone traffic is carried by AT&T. Due to the absence of coin control functionality

heavily favors 0+ traffic. The rules regarding the application of PICC do not presuppose any traffic volumes and it would be inappropriate to apply a 50/50 split in any event.

GTE believes that the PICC should be assessed based on the presubscribed carrier that is primarily benefiting from the common line. Since the traffic volume of payphones configured to have both an 0+ and a 1+ ("sent paid") PIC is largely 0+, GTE proposes that price cap LECs assess the PICC on the 0+ PIC associated with these payphone lines.

Conversely, payphone providers that choose to deploy so-called "smart" payphones will not purchase a standard coin line from the LEC. Instead, these providers purchase PALs from the LEC's local tariff. The "smart" payphones incorporate all of the intelligence necessary to manage all types of calls and do not need the coin control and supervision features found on standard coin lines. Since these lines appear in the central office as regular common lines, presubscription is accomplished on a 1+ basis. Therefore, GTE proposes that price cap LECs assess the PICC on PALs based on the 1+ PIC.

4. Should all public payphones be charged the multi-line business PIC, or should some public payphones, such as those that constitute the only telephone line at a given location, be charged the single line business PICC?

The Commission has already concluded in its Payphone Order that all public payphones should be assessed a multi-line business SLC.¹⁴ The intent of the Access

that is required by IXCs at their tandems and the decision by all other IXCs not to make that investment, AT&T is the default carrier for interLATA "sent paid" traffic.

¹⁴ Payphone Order at 187.

Reform Order was to charge a SLC and a PICC to each common line. GTE believes that the same logic that resulted in a multi-line business line SLC being assessed on payphone lines is equally applicable to the PICC. There is no reason to treat these lines differently as it pertains to PICCs. Consequently, GTE believes that all payphones should be treated as multi-line business lines and both SLCs and PICCs should be assessed accordingly..

5. **Do policy reasons, practical considerations, or other factors suggest that price cap LECs should be permitted to assess PICCs on the LECs public payphone lines that are different in amount, or collected from a different party, from those assessed on privately-owned payphones?**

As stated in response to Question 3, the Commission should clarify which carrier to assess the PICC for "dumb" payphone lines which support different 1+ and 0+ presubscribed carriers. GTE believes that the PICC should be assessed based on the presubscribed carrier that is primarily benefiting from the common line, the 0+ presubscribed carrier.

6. **To what degree could imposition of PICC charges on any of the parties listed in Question (3), above, cause reductions in the availability of public payphone services, increases in rates, or reduction in competition for interstate, interLATA traffic originating from public payphones?**

Access reform, by definition, is a process to promote competition for all telecommunications services. It would be inconsistent with the goals of access reform to embark upon an excursion into the murky waters of exceptions. The plain facts are that the issues raised here are very simple.

Price cap LECs are entitled to recover local loop revenues through a combination of SLCs, PICCs and residual carrier common line charges through a


transition period. Common lines used to carry payphone traffic should be recognized for what they are -- common lines. There is no justification -- and there has certainly been no breakthrough arguments presented here -- for deviating from the path taken in Access Reform.

Accordingly, while GTE does not support any unique treatment of these common lines, the Commission should clarify which of the two presubscribed carriers, the 1+ or the 0+ carrier, should be assessed the PICC for those LEC payphones. For the reasons discussed above, for LEC payphones, GTE believes that the best policy would be to assess the PICC on the 0+ carrier.

Respectfully submitted,

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By


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May 26, 1998

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Certificate of Service

I, Ann D. Berkowitz, hereby certify that copies of the foregoing "Comments of GTE" have been mailed by first class United States mail, postage prepaid, on May 26, 1998 to the following parties of record:

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